

Message Text

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SUBJECT: EC COMMISSION/JAPAN CONSULTATIONS OF DECEMBER 11-12:

HIGHLIGHT, JAPANESE RESPONSE ON AUTO STANDARDS

REF: A. EC BRUSSELS 11173

B. EC BRUSSELS 10726

1. THE ACCOUNT OF THE SEMI-ANNUAL EC COMMISSION/JAPAN CONSULTATIONS GIVEN US BY A COMMISSION OFFICIAL INDICATES THEY WERE DOMINATED BY BILATERAL COMPLAINTS BY THE COMMUNITY AGAINST JAPAN. THE COMMISSION EMPHASIZED ITS PREOCCUPATION WITH THE LARGE AND GROWING TRADE DEFICIT WITH JAPAN-WHICH THIS YEAR WILL BE ON THE ORDER OF \$2.3 BILLION. THE JAPANESE RESPONSE THAT THIS WAS COMPENSATED FOR BY A JAPANESE INVISIBLES DEFICIT WITH THE EC, DID NOT IN THE COMMISSION'S VIEW STAND UP, IN THAT JAPAN WAS COUNTING IN CAPITAL FLOWS THROUGH LONDON, NOT ALL OF WHICH REPRESENTED PAYMENT FOR EC SERVICES.

2. THE COMMISSION ALSO HAD BONES TO PICK WITH JAPAN OVER STEEL, SHIP-BUILDING AND AUTOMOBILES. THE STEEL DISCUSSION AVOIDED THE ISSUE OF INDUSTRY-TO-INDUSTRY RESTRAINT ARRANGEMENTS. THE JAPANESE WERE CURIOUS AND THE COMMISSION FILLED THEM IN ON THE COMMISSION DECISION TO CONSULT WITH THE EC COUNCIL ON ESTABLISH-
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ING MINIMUM PRICES FOR STEEL. THE DISCUSSION OF SHIP-

BUILDING WAS ESSENTIALLY A FOLLOW-ON TO THE RECENT OECD TALKS; IT WAS INCONCLUSIVE BUT LEFT THE COMMISSION WITH THE IMPRESSION THAT THE JAPANESE ARE STRONGLY RESISTANT TO THE IDEA THAT THEY SHOULD REDUCE CAPACITY.

3. THE AUTOMOBILE PROBLEM WAS DISCUSSED SOMEWHAT MORE SATISFACTORILY FROM THE COMMISSION'S POINT OF VIEW. THE JAPANESE SIDE WAS PREPARED TO RESPOND IN SOME MEASURE TO THE COMMISSION'S RECENT DEMARCHE REGARDING JAPANESE ADMINISTRATIVE BARRIERS. THEY SAID THAT THEY DID NOT EXCLUDE THE IDEA THAT TESTS CONDUCTED IN EUROPE COULD BE RECOGNIZED BY JAPAN. HOWEVER, THEY DID NOT MAKE IT CLEAR WHAT SORT OF TESTS WOULD BE RECOGNIZED. THE JAPANESE ALSO DID NOT EXCLUDE THE POSSIBILITY OF SENDING THEIR OWN EXPERTS TO EUROPE TO CONDUCT TESTS. THE JAPANESE SAID THEY WOULD "MAKE AN EFFORT" TO GIVE LONGER LEAD TIME WHEN IMPOSING NEW AUTO REGULATIONS. THEY WERE ALSO FORTHCOMING ON VARIOUS MINOR ISSUES. HOWEVER, THE JAPANESE POSITION WAS VAGUE ALL ALONG THE LINE AND IT WAS AGREED TO CONTINUE THE DISCUSSIONS AT A TECHNICAL LEVEL EARLY NEXT YEAR.

4. MULTILATERAL ISSUES WERE, HOWEVER, DISCUSSED. AFTER AN EXCHANGE OF VIEWS ON THE ECONOMIC OUTLOOK THE COMMISSION SUGGESTED THAT THE CURRENT, AND APPARENTLY LAST, JAPANESE REFLATION PROGRAM WAS INSUFFICIENT TO SPUR JAPANESE RECOVERY AT A PACE EQUAL TO THAT OF OTHER INDUSTRIAL NATIONS. THE TWO SIDES EXCHANGED REPORTS ON THE INCHOATE STATES OF THEIR OWN ENERGY POLICIES AND DISCUSSED THE OUTLOOK FOR THE CIEC. IN THE DISCUSSION OF THE MTNS, HIJZEN SUGGESTED THAT IT WAS TIME TO BEGIN A PHASE OF INFORMAL BILATERAL TALKS. THE JAPANESE WELCOMED THIS. THEY INTEND TO STRESS IN THEIR TALKS WITH THE EC THEIR DESIRE FOR THE ELIMINATION OF REMAINING EC QRS ON JAPANESE TRADE.

5. UNDER "OTHER BUSINESS" THE JAPANESE SAID THEY HOPED THE OECD TRADE PLEDGE WOULD BE TAKEN SERIOUSLY BY THE EC AND ITS MEMBER STATES. THE COMMISSION HAS NO DOUBT THE JAPANESE WERE REFERRING TO THE POSSIBILITY OF UK IMPORT RESTRICTIONS.
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